



House of Commons - Standing Committee on Finance  
Statement by the Chief Actuary, Jean-Claude Ménard  
12 May 2005

Good morning Mr. Chairman, honourable members of the Committee.

Thank you for the opportunity to appear before you today to talk about the mandate and the activities of the Office of the Chief Actuary (OCA). Although the OCA is housed within the Office of the Superintendent of Financial Institutions (OSFI), it operates independently with a unique role and mandate different from OSFI's. Our primary role is to provide actuarial services to the federal and provincial governments who are Canada Pension Plan (CPP) stakeholders. While I report to the Superintendent of Financial Institutions, I am solely responsible for the content and actuarial opinions reflected in the reports prepared by my office. The reporting and accountability framework for the Office of the Chief Actuary establishes this responsibility.

The federal government and the provinces, through the Canada Pension Plan (CPP), public sector pension arrangements and other social programs, have made commitments to Canadians and are responsible for the funding of these commitments. Some are long-term and it is important that decision-makers, Parliamentarians and the public understand these commitments and the inherent risks they present. The Office of the Chief Actuary has a vital and independent role to play in this process. We provide appropriate checks and balances on the future costs of the different pension plans that fall under our responsibilities.

Our mandate is to conduct statutory actuarial valuations of the CPP, Old Age Security (OAS) Program, and pension and benefit plans covering the federal public service, the Canadian Forces, the RCMP, federally appointed judges and Members of Parliament. Since 2001, we have also performed an annual actuarial review of the Canada Student Loans Program (CSLP).

Whenever a Bill is introduced before Parliament that has significant impact on the financial status of a public pension plan falling under the statutory responsibilities of the Chief Actuary, the OCA must submit, to the appropriate minister, an actuarial report valuing this impact. I submit these special reports as well as the triennial statutory actuarial reports to the ministers of Finance, Social Development, Human Resources and Skills Development and to the President of the Treasury Board. The OCA also provides sound actuarial advice to these departments to assist them in the design, funding and administration of these programs.

In the interest of fostering informed public commentary on the CPP, a policy was developed for public or third-party organizations, outside of the executive arm of government, to provide special information or actuarial work and services related to the CPP on a fee-for-service basis. This policy brings transparency to the existing practice since information provided to requestors is publicly available.

The Office of the Chief Actuary is funded by fees charged for actuarial services and in part by an annual parliamentary appropriation for services related to public sector pensions. We are forecasting planned spending in the Main Estimates of approximately \$4.9 million for the 2005-2006 period. This amount is composed of \$755,000 coming through appropriations and \$4.1 million from cost recovered services.

### **Canada Pension Plan and its independent peer review process**

The Office of the Chief Actuary is required by law to produce an actuarial report on the Canada Pension Plan every three years. The federal and provincial governments, as co-stewards of the CPP, have taken meaningful steps to strengthen the transparency and accountability of actuarial reporting on the CPP. In 1997, governments agreed to increase the frequency of actuarial reporting on the CPP from every five years to every three years. The CPP legislation was also changed to require federal and provincial ministers to review the Plan's finances every three years.

You were given the most recent CPP actuarial report that was tabled before Parliament in December 2004. This report is one item considered by federal and provincial finance ministers when reviewing and making recommendations on the CPP. In a past Federal-Provincial Review of the Canada Pension Plan, the ministers of Finance endorsed regular peer reviews of such reports and consultations by the Chief Actuary with experts on the assumptions to be used in actuarial reports.

The current environment for the retirement income system puts an additional onus on the Office of the Chief Actuary to be, and be seen to be, fully accountable and professionally independent. The Chief Actuary and all Fellows and Associates are members of the Canadian Institute of Actuaries (CIA) and are subject to the CIA Rules of Professional Conduct, which identify the professional rules and ethical standards with which a member must comply and thereby serve the public interest. The quality of the OCA work is of utmost importance. The OCA maintains its credibility by adhering strictly to professional actuarial standards. The statutory actuarial reports are prepared by OCA Fellows of the CIA and co-signed with the Chief Actuary to enhance the internal quality control process.

The most recent independent review of the statutory actuarial report on the CPP confirmed that the work of the Chief Actuary meets professional standards of actuarial practice and is of sound quality. The independent review also confirmed that the OCA has adequate resources and access to data and other information required to fulfill its mandate. To ensure the quality of future actuarial reports, the Chief Actuary continues to consult with experts in the fields of long-term demographic and economic projections in the preparation of actuarial reports.

The information required by statute, which is presented in the CPP actuarial reports, requires making several assumptions regarding future demographic and economic trends. The projections included in those reports cover a long period of time (75 years), and the assumptions are determined by putting more emphasis on historical trends than on short-term trends. These assumptions reflect our best judgment and are referred to as “best-estimate” assumptions.

I hope that I have succeeded in providing you with a greater understanding of the actuarial reporting process. I wish to thank you for the opportunity to appear before this Committee and I will be pleased to answer any questions that you might have.